

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-01 INR-07
L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15
USIA-06 AID-05 COME-00 EB-08 FRB-03 TRSE-00
XMB-02 OPIC-03 LAB-04 SIL-01 OMB-01 STR-04 CEA-01
/090 W

-----011203Z 003810 /15

R 301830Z MAR 77
FM AMCONSUL QUEBEC
TO SECSTATE WASHDC 942
INFO AMEMBASSY OTTAWA
AMCONSUL MONTREAL
AMCONSUL TORONTO POUCH

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E.O. 11652: N/A
TAGS: ECON, PINT, CA
SUBJECT: PARIZEAU ANNOUNCES GOQ PLANS CURB SPENDING SPIRAL

REF: QUEBEC 0135

1. IN MARCH 29 PRESS CONFERENCE, QUEBEC FINANCE MINISTER JACQUES
PARIZEAU ANNOUNCED ONE OF TIGHTEST SPENDING PROGRAMS OF RECENT YEARS.
IN PREVIEW OF APRIL 12 BUDGET, HE SIGNALLED GOQ'S DETERMINATION TO SL
OW
SPENDING SPIRAL OF RECENT YEARS BY PRESENTING A SPENDING PROGRAM
OF ONLY C\$11.5 BILLION FOR 1977-78 FISCAL YEAR. WHILE THIS
REPRESENTS INCREASE OF \$906.5 MILLION OVER YEAR ENDING MARCH 31,
INCREASE IS ONLY 12.5 PERCENT RATHER THAN THE RECENT ANNUAL AVERAGE
RATE OF 20 PERCENT OF LIBERAL GOVERNMENT. LIBERALS HAD ATTEMPTED
BEGIN REIN IN EXPENDITURES LAST YEAR BUT FORECASTS WERE UPSET BY
UNANTICIPATED EXPENSES INCLUDING PUBLIC SERVICE NEGOTIATIONS WHICH
WOUND UP COSTING GOVERNMENT \$378 MILLION MORE THAN FORESEEN.

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WM WHEN REPORTERS EXPRESSED SKEPTICISM THAT GOQ COULD HOLD THE LINE,
PARIZEAU REPLIED "JUST WATCH ME" AND MADE A TWISTING GESTURE
WITH HIS HAND. HE NOTED THAT INFLATION ACCOUNTS
FOR SOMETHING CLOSE TO EIGHT PERCENT OF INCREASE IN GOVERNMENT
SPENDING. SO IN REAL TERMS, HE ADDED, INCREASE IS BETWEEN THREE AND
FOUR PERCENT. PARIZEAU THINKS HE CAN GAIN A FEW MORE MILLIONS
BY CONTROLLING COSTS MORE CLOSELY IN THE SOCIAL

AFFAIRS AND EDUCATION DEPARTMENTS. HE EXPRESSED SURPRISE THAT SPENDING CONTROLS IN THE GOVERNMENT WERE NOT ANY MORE ADVANCED THAN WHEN HE WAS A GOVERNMENT ADVISOR SOME TEN YEARS AGO. FINMIN EXPECTS TO BE ABLE TO CONTROL EXPENDITURES MORE CLOSELY AFTER A SIX MONTH STUDY OF DATA CENTERS AND THEIR METHODS OF OPERATION.

3. LARGEST SHARE OF QUEBEC BUDGET STILL GOES TO SOCIAL AFFAIRS, WITH PROJECTED PROGRAM OF \$3.7 BILLION REPRESENTING 32.5 PERCENT OF TOTAL ESTIMATES OF \$11.5 BILLION. EDUCATIONAL PROGRAMS WILL COST 3.4 BILLION. LATTER REPRESENTS FRACTIONAL INCREASE IN SHARE OF OVER ALL ESTIMATES WHILE FORMER IS SLIGHT DROP. TRANSPORT DEPARTMENT EXPENDITURES WILL TOTAL \$1.07 BILLION AND ALL OTHER GOVERNMENT DEPARTMENTS WILL SPEND \$3.2 BILLION.

4. FINANCE MINISTER REPEATED THAT APRIL 12 BUDGET WILL REDUCE GOVERNMENT BORROWING WITHOUT INCREASING TAXES. HE ADDED NO MORE EXCEPT TO ANNOUNCE AN \$80 MILLION DOLLAR JOB CREATION PROGRAM. PARIZEAU KEPT SECRET OTHER PLANS FOR SPENDING PROGRAMS.

5. LIBERAL FINANCE CRITIC RAYMOND GARNEAU AND UNION NATIONALE LEADER RODRIGUE BIRON LED AN OPPOSITION ATTACK DESIGNED SHOW GOQ IS HELPLESS IN LIGHT OF TIGHT PUBLIC SPENDING AND A SAGGING ECONOMIC SITUATION. THEY EXPRESSED DISAPPOINTMENT OVER ESTIMATES FOR COMING YEAR AND BLAMED PQ'S INDEPENDENCE PLATFORM FOR CURRENT ECONOMIC DIFFICULTIES. PARIZEAU HAD STRESSED EARLIER THAT HE HAD INHERITED A LONG-STANDING PROBLEM ARISING FROM PUBLIC SPENDING BEING IN EXCESS OF WHAT ECONOMY COULD ABSORB. OTHER DEPUTIES RAISED QUESTIONS LIMITED OFFICIAL USE

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ABOUT CLOSING OF INDUSTRIES, DEPRESSED LUMBER INDUSTRY, AND HEAD OFFICES MOVING OUT OF QUEBEC. ALL WERE CONCERNED WITH WHAT THEY SAW AS INSUFFICIENT GOQ ACTION TO CREATE NEW EMPLOYMENT. GARNEAU--FORMER LIBERAL FINANCE MINISTER--ASKED HOW PQ PROPOSED TO KEEP ITS ELECTION PROMISES WITH SUCH A RESTRAINED BUDGET.

6. COMMENT: AS A GOVERNMENT DEDICATED TO OBTAINING POLITICAL SOVEREIGNTY, GOQ FEELS OBLIGED ABOVE ALL ELSE TO PRESENT A SOUND FISCAL IMAGE BOTH TO ELECTORATE AT HOME AND FINANCIAL COMMUNITIES HERE AND ABROAD. AS A GOVERNMENT WHICH MUST WIN POPULAR REFERENDUM TO ACHIEVE ITS GOAL, GOQ MUST SHOW GREAT PRUDENCE IN AVOIDING TAX INCREASES AND IN REDUCING EXCESSIVE BORROWING. POLITICAL AS WELL AS FINANCIAL CONSTRAINTS, THEREFORE, HAVE OBLIGED GOQ TO SUBMIT SPENDING ESTIMATES WHICH IGNORE MANY OF ITS OWN CHERISHED SOCIAL-DEMOCRATIC PROGRAMS. WHILE GOQ NO DOUBT WINCED AT OPPOSITION DESCRIPTION OF SPENDING ESTIMATES AS "A BUDGET OF THE STATUS QUO," FINMIN OFFICIALS EXPECT NO SERIOUS OPPOSITION FROM PARTY MILITANTS AMONG PQ NATIONAL ASSEMBLY DELEGATION AS THEY HAVE BEEN WELL-BRIEFED ON STATUS OF QUEBEC'S

ECONOMY. MILITANTS WILL BE MORE VOCIFEROUS IN THEIR DISSAPPOINTMENT OVER CONSERVATIVE BUDGET AT MAY PQ CONGRESS BUT PARTY LEADERS EXPECT TO CONTROL CONGRESS WITHOUT TOO MUCH DIFFICULTY (REFTEL). THIS CONSERVATIVE BUDGET--FROM WHAT WE KNOW OF IT--COMES AS NO SURPRISE, HAVING BEEN ANTICIPATED BY MOST OBSERVERS AND PREVIEWED BY MINISTERS INCLUDING PREMIER WHO HAS SPOKEN CONSTANTLY ABOUT NEED FOR BELT-TIGHTENING. PQ SPENDING ESTIMATES ARE ALSO CONSISTENT WITH THEIR CRITICISM OF LIBERAL BUDGET LAST YEAR AS ONE OF LIVING BEYOND QUEBEC'S MEANS. INDEED, PQ CALLS FOR A REVERSAL OF BOURASSA'S FISCAL FOLLIES SERVED THEM AS A FRUITFUL CAMPAIGN ISSUE LAST FALL. IT IS EVIDENT FROM YESTERDAY'S REMARKS AND PREVIOUS STATEMENTS THAT PARIZEAU WILL ATTEMPT TO CONTINUE TO CUT EXPENSES BOTH BY WEILDING AXE IN LARGE MINISTRIES AND BY IMPROVING GOVERNMENT ACCOUNTING PROCEDURES. MCNAMARA

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